

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-249-C - ORDER NO. 2008-833
DECEMBER 19, 2008

IN RE: Application of Affordable Phone Services,) ORDER GRANTING
Inc. d/b/a High Tech Communications for) APPLICATION FOR ETC
Certification as an Eligible) DESIGNATION FOR
Telecommunications Carrier) LIFELINE AND LINK-UP
) SERVICE ONLY

This matter comes before the Public Service Commission of South Carolina ("Commission") by way of the Application of Affordable Phone Services, Inc. d/b/a High Tech Communications ("High Tech" or the "Company") for designation as an Eligible Telecommunications Carrier ("ETC") throughout the non-rural BellSouth/AT&T-South Carolina service territories ("Designated Service Territory") under the provisions of 47 U.S.C. § 214(e)(2) of the Federal Telecommunications Act (the "Federal Act") and 47 C.F.R. §§ 54.401-54.417 (the "FCC's Rules"). High Tech filed its Application on June 25, 2008, seeking ETC status in order to offer a Lifeline and Link-Up plan to its qualifying customers, and draw from the federal Universal Service Fund ("USF") in connection with those services.

By letter, the Commission instructed High Tech to publish, one time, prepared Notices of Filing in newspapers of general circulation in the areas affected by the Application. The purpose of the Notices of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings. The Company complied with this instruction and provided the Commission

with proof of the Notices of Filing. No petitions to intervene were received. The South Carolina Office of Regulatory Staff ("ORS") was a party pursuant to statute.

The public hearing was held on October 23, 2008, at 10:30 a.m. in the Commission's Hearing Room, with the Honorable Elizabeth B. Fleming, Chairman, presiding. At the hearing, Scott Elliott, Esquire, represented High Tech, and C. Lessie Hammonds, Esquire, represented the ORS. High Tech presented the Direct Testimony of Joseph Fernandez. The ORS presented the testimony of James M. McDaniel.

BACKGROUND

High Tech is a Florida corporation headquartered in Ocala Florida and was authorized to provide local exchange services in South Carolina on October 13, 2004, by Order No. 2004-497 issued in Docket No. 2004-146-C. The Company provides local exchange and exchange access services in the Designated Service Area using a combination of resale and unbundled network elements, or unbundled network equivalents obtained through commercial agreements ("UNEs") that allow end-to-end switching delivery of calls. High Tech offers all of the supported services using facilities obtained as UNEs, or the equivalents thereof, through commercial agreements. According to FCC Rules, facilities obtained as UNEs satisfy the requirement that an ETC provide the supported services using either its own facilities or a combination of its own facilities and resale of another carrier's services.

The federal USF consists of four programs, each administered by the Universal Service Administrative Company ("USAC"): 1) financial support to carriers serving high-cost areas; 2) the E-rate program, which provides discounted services (local and long distance telephone service, Internet access, and internal connections to eligible schools

and libraries; 3) assistance to low income customers (discounted installation and monthly telephone services); and 4) discounted services to rural health care providers.

Mr. Fernandez testified that High Tech met all State and Federal requirements for designation as an ETC in South Carolina. High Tech made clear that it is not planning to seek high-cost universal service funding if it is designated as an ETC in South Carolina. Accordingly, High Tech will limit its requested USF support to the federal USF low income support program and certifies that all low income USF funding it receives will be used to subsidize rates for its Lifeline and Link-Up customers, consistent with 47 C.F.R. § 54.403. High Tech agrees, in conformance with the South Carolina Lifeline program, to provide Lifeline customers an additional \$3.50 credit in order that the federal matching monies can be maximized. This additional credit will yield a Lifeline credit of \$13.50 per month which is consistent with the credit offered throughout the BellSouth service area.

Mr. McDaniel testified on behalf of the ORS that, after considering the application and the data request responses herein, it was in the public interest to grant High Tech's application.

ANALYSIS

A. Federal Statutory Requirements

In Section 214(e)(2) of the Federal Act, Congress authorized state commissions to designate a common carrier as an ETC if the carrier meets the requirements of Section 214(e)(1). Section 214(e)(1) provides:

(1) Eligible Telecommunications Carriers

A common carrier designated as an eligible telecommunications carrier under paragraph (2), (3), or (6) shall be eligible to receive universal

service support in accordance with section 254 and shall, throughout the service area for which the designation is received —

(A) offer the services that are supported by Federal universal service support mechanisms under section 254(c), either using its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another eligible telecommunications carrier); and

(B) advertise the availability of such services and the charges therefore using media of general distribution.

A telecommunications carrier may be designated as an ETC and receive universal service support, so long as it offers, within a service area, the services that are supported by federal universal service support mechanisms under Section 254 (c) of the Act, and so long as it adequately advertises the availability of, and the charges for, such services. The Commission notes that High Tech bears the burden of proving it has met each of the necessary elements required for ETC designation.

1. Service Area

Section 54.207 of the FCC's rules defines a "service area" as a "geographic area established by a state commission for the purpose of determining universal service obligations and support mechanisms." 47 C.F.R. § 54.207(a). For service areas served by a non-rural incumbent local exchange company ("ILEC"), there are no restrictions on how a Commission identifies a "service area" for purposes of designating a competitive ETC. High Tech has requested ETC designation in wire centers located throughout the service area of BellSouth/AT&T-South Carolina, a non-rural carrier. No party opposes High Tech's service area designation. The Commission finds that High Tech has met the service area requirement.

2. Required Service Offerings

The services to be supported by the USF under Section 254(a) are principally enumerated in Section 54.101(a) of the FCC's Rules, 47 CFR 54.101(a), as follows:

- (a) Voice grade access to the public switched network;
- (b) Local usage;
- (c) Dual tone multi-frequency signaling or its functional equivalent;
- (d) Single-party service or its functional equivalent;
- (e) Access to emergency services;
- (f) Access to operator services;
- (g) Access to interexchange service;
- (h) Access to directory assistance; and
- (i) Toll limitation for qualifying low-income consumers.

As set out in its Application and Testimony, High Tech will offer all of the services enumerated above using facilities obtained from BellSouth/AT&T-South Carolina by means of an interconnection or a commercial agreement. Accordingly, High Tech satisfies the requirement set out in Section 214(e)(1)(B).

Additionally, FCC rules obligate an ETC to provide the low income support programs known as Lifeline and Link-Up and advertise the availability of those services in a manner reasonably designed to reach those likely to qualify for them. 47 C.F.R. §§ 54.405 and 54.411. No party provided evidence or argument in opposition to High Tech's evidence regarding the foregoing supported services. The Commission finds that High Tech offers and has the capability to provide each of the nine supported services in the areas for which it seeks ETC designation.

3. Required Advertising

In addition to the service offerings required by Section 214(e)(1)(B) of the Federal Act, FCC rules (CFR Parts 54.405 and 54.411) provide that an ETC must also publicize the availability of Lifeline and Link-Up services "in a manner reasonably designed to reach those likely to qualify for the service." Lifeline and Link-Up are the programs High Tech intends to support with ETC funding. High Tech provided testimony showing that it will advertise the availability and terms of its services throughout its designated area. In addition, High Tech submitted a two year advertising and outreach plan for its Lifeline and Linkup offering pursuant to the Commission regulations. No party challenged High Tech's testimony. The Commission concludes that High Tech has demonstrated that it will publicize the availability of Lifeline and Link-up in a manner reasonably designed to reach those likely to qualify for the service, as directed by CFR §54.405 and 54.411.

B. The FCC's ETC Order

On March 17, 2005, the FCC issued its ETC Order, to clarify existing requirements and impose additional federal requirements that the FCC will use in evaluating future federal applications for ETC designation. The FCC described its additional guidelines, codified at 47 CFR §54.202, as "the minimum requirements" it would use in designating a carrier as an ETC, and urged that state commissions apply these guidelines in their evaluation of ETC applications properly before such commissions. However, the FCC did not obligate state commissions to employ the additional guidelines. ETC Order at paragraphs 58-64.

Generally speaking, the additional FCC guidelines require that an ETC applicant demonstrate: (1) a commitment and ability to provide services, including service to all customers within its proposed service area; (2) that it will remain functional in emergency situations; (3) that it will satisfy consumer protection and service quality standards; (4) that it offers local usage comparable to that offered by the ILEC; and (5) an understanding that it may be required to provide equal access if all other ETCs in the designated service area relinquish their designations pursuant to section 214(e)(4) of the Federal Act. Further, the

FCC augmented its existing annual certification and reporting requirements, to further the FCC's goal of ensuring that ETCs provide supported services throughout their service territories. Moreover, the FCC expanded its view of the public interest requirement for additional ETCs.

Although the additional requirements in the ETC Order are not binding on the Commission, we will consider them in this proceeding.

1. Specific Additional FCC Performance Requirements

First, pursuant to the ETC Order, an ETC applicant shall commit to providing service throughout its proposed designated service area to all customers making a reasonable request for service. 47 CFR §54.202(a)(1)(A).

High Tech commits to providing service throughout its proposed ETC-designated service area to all customers. No party questions that commitment. Consequently, the Commission concludes that High Tech supplied sufficient evidence demonstrating its present ability to provide service throughout its proposed ETC-

designated service area to all customers who make a reasonable request for service in a timely manner.

The FCC also expects an applicant to demonstrate its ability to furnish services to all customers in the foreseeable future. Thus, an ETC applicant shall submit to the FCC a five-year plan describing, with specificity, proposed improvements or upgrades to the applicant's network on a wire-center -by-wire -center basis throughout its proposed designated service area. Because High Tech seeks ETC designation solely for reimbursement of subsidized Lifeline and Link-Up services to eligible customers, the Commission agrees with High Tech and the ORS and finds that submission of a Five-Year Network Improvement Plan is not required at this time. Furthermore, the Commission regulations provide that for a carrier seeking ETC designation for the purpose of participation in the Lifeline and Link Up programs, a two year plan is required. However, should High Tech seek to receive high cost support, it shall abide by the multiyear network improvement plan as required by the Commission regulations.

Second, the ETC Order obliges an applicant to demonstrate its ability to remain functional in emergency situations. High Tech has provided testimony that it has the ability to do so. Because High Tech leases facilities from BellSouth/AT&T-South Carolina to serve its customers, it has the same ability to remain functional in emergency situations as Bellsouth/AT&T-South Carolina. No party disagrees. The Commission finds that High Tech has met its burden on this issue.

Third, an ETC Applicant shall demonstrate that it will satisfy applicable consumer protection and service quality standards. 47 CFR §54.202(a)(3). High Tech provided evidence that it will satisfy applicable consumer protection and service quality standards. As part of its certification requirements for local exchange and interexchange

services, High Tech must abide by the service quality and consumer protection rules set forth in the Commission's regulations and applicable orders. The quality of service report submitted in support of the application demonstrated that the company complies with the service standards. No party questions High Tech's evidence or commitments concerning the applicable standards. Consequently, the Commission concludes that High Tech has demonstrated that it will satisfy appropriate consumer protection and service quality standards. This finding is conditioned on High Tech's continuing compliance with the commitments it made in its certification docket and in this proceeding.

Fourth, an ETC Applicant shall demonstrate that it offers a local usage plan comparable to the one offered by the ILEC in the service areas for which it seeks designation. The FCC has not adopted a specific local usage threshold. High Tech states that it includes specified quantities of usage in its rate plans and thereby complies with the requirement. Therefore, in this case, the Commission finds that High Tech's local usage and rate plans meet the comparable local usage and rate plan requirement. The Commission also finds that High Tech shall electronically file its tariff including the Lifeline and Link Up program with the Commission's offices.

Fifth, an ETC Applicant shall certify its acknowledgement that the FCC or Commission may require it to provide equal access to long distance carriers if no other ETC is doing so within the service area. ETC Order at Paragraph 35; 47 CFR §54.202(a)(5). The Commission finds that High Tech meets the equal access requirement.

2. Additional FCC Certification and Reporting Requirements

In Paragraph 69 of its ETC Order, the FCC identified the following additional annual reporting and certification requirements for ETCs (some of which simply require

annual certification of existing ETC performance requirements):

a) progress reports on the ETC's five-year service quality improvement plan, including maps detailing progress towards meeting its plan targets, an explanation of how

much universal service support was received and how the support was used to improve signal quality, coverage, or capacity; and an explanation regarding any network improvement targets that have not been fulfilled. The information should be submitted at the wire center level;

b) detailed information on any outage lasting at least 30 minutes, for any service area

in which an ETC is designated for any facilities it owns, operates, leases, or otherwise utilizes that potentially affect at least ten percent of the end users served in a designated service area, or that potentially affect a 911 special facility (as defined in subsection (e) of

section 4.5 of the Outage Reporting Order). An outage is defined as a significant degradation in the ability of an end user to establish and maintain a channel of communications as a result of failure or degradation in the performance of a communications provider's network. Specifically, the ETCs annual report must include: 1) the date and time of onset of the outage; 2) a brief description of the outage and its resolution; 3) the particular services affected; 4) the geographic areas affected by the outage; 5) steps taken to prevent a similar situation in the future; and 6) the number of customers affected;

c) the number of requests for service from potential customers within its service areas that were unfulfilled for the past year. The ETC must also detail how it attempted to provide service to those potential customers;

d) the number of complaints per 1,000 handsets or lines;

e) certification that the ETC is complying with applicable service quality standards and consumer protection rules, e.g., the CTIA Consumer Code for Wireless Service;

f) certification that the ETC is able to function in emergency situations;

g) the amount of USF funding received by the ETC during the reporting period;

h) certification that the ETC is offering a local usage plan comparable to that offered by the incumbent LEC in the relevant service areas; and

i) certification that the carrier acknowledges that the Commission may require it to provide equal access to long distance carriers in the event that no other eligible telecommunications carrier is providing equal access within the service area.

The FCC encouraged state commissions to adopt the foregoing reporting requirements and to apply them to all ETCs, not merely competitive ETCs. ETC Order, Paragraph 71. We will follow the FCC's recommendation, and we find that High Tech has committed to complying with all of the applicable annual reporting requirements imposed on a recipient of low cost support. The Commission concludes that High Tech must file these reports with the ORS.

3. The Public Interest Requirement

Section 214(e)(2) of the Federal Act requires a finding that additional ETC designations be in the public interest. In the instant case, High Tech has demonstrated that its application for ETC designation is in the public interest, within the meaning of the ETC Order. High Tech asserts that since low income support and Lifeline is designed to reduce the monthly cost of telecommunications services for eligible consumers, and is distributed on a per-customer basis, and is directly reflected in the price that the eligible customer pays, it is assured that all support received by the carrier is used to provide Lifeline services to consumers, thus promoting Lifeline and the availability of telephone service to low income users. No party contends that High Tech does not meet the public interest test.

In the Commission's view, the designation of High Tech as an ETC will increase customer choice for low income consumers eligible for Lifeline and Link-Up support in the areas requested. Customers who can obtain this telecommunications service will likely benefit from additional rate plan options and increased access to emergency services.

The Commission notes that High Tech's specific voluntary commitment to comply with the guidelines in the ETC order is a critical component supporting a positive

public interest finding. Thus, subject to the commitments and conditions discussed in this Order, the Commission concludes that High Tech has shown that its designation as an additional ETC is in the public interest for its proposed ETC designated area.

C. South Carolina Requirements

High Tech has complied with the regulations recently promulgated by the State of South Carolina. 26 S.C. Code Regs. 103-690 C(a)(1)(C). In particular High Tech has certified that it will provide on a timely basis within the service area. Its network already passes its potential customers premises. High Tech has adequately certified that it will provide service within a reasonable period of time if the potential customer is within its licensed service area but outside its existing network coverage if service can be provided at a reasonable cost. High Tech submitted a 2-year plan describing its plans for advertising and outreach programs for identifying, qualifying and enrolling eligible participants in the Lifeline and Link Up Program. The Applicant demonstrated that it will satisfy applicable consumer protection service quality standards. High Tech demonstrated that its local usage plan compares to the local usage plan offered by the incumbent local exchange carrier ("LEC"). High Tech has provided the appropriate affidavits acknowledging that the FCC may require the carrier to provide equal access to long distance carriers and that it does or will offer services that are supported by the universal service support mechanisms by using its own facilities or a combination of its own facilities and resale of another carrier services. In addition, High Tech commits to only seeking low income support for those lines provided through the use of its own facilities or through a combination of its own facilities and the leased facilities of another carrier. Last, High Tech has certified that it does and will advertise in a media of general

distribution the availability of supported services including Lifeline services and applicable charges.

D. Other Considerations

With regard to annual recertification, we hold that the annual recertification required by the FCC and the Universal Service Administrative Company (USAC) is adequate and that the Company should not be required to apply for additional recertification to this Commission on an annual basis. However, since High Tech seeks to be designated only in non-rural exchanges of BellSouth/AT&T-South Carolina, expansion to rural high cost areas would require additional designation proceedings before this Commission. Additionally, High Tech shall include in its quarterly Service Quality Report the number and justification of applications held for more than 30 days and the number and justification of applications that were denied, and High Tech shall submit a two-year plan that describes the carrier's plans for advertising and outreach programs for identifying, qualifying and enrolling eligible participants in the Lifeline and Link-Up programs.

IT IS THEREFORE ORDERED THAT:

1. High Tech is designated as an ETC, as of the effective date of this order, in the requested areas served by AT&T-South Carolina and reflected in the amended AT&T-South Carolina wire center listing provided in support of its application.
2. High Tech shall abide by its commitment to provide service in a timely manner throughout its ETC-designated service area to all customers making a reasonable request for service, including low-income customers.
3. High Tech shall include in its quarterly Service Quality Report the number

and justification of applications held for more than 30 days and the number and justification of applications that were denied.

4. All federal USF funding received as a result of this Order will be used for Lifeline and Link-Up support for low income customers.

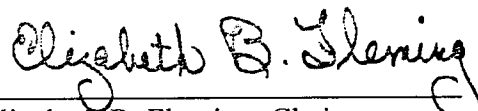
5. High Tech is required to file electronically with the Commission its tariff including its Lifeline and Link Up offering as set out in its tariff submitted in support of its application.

6. High Tech is required to advertise the availability of its Lifeline and Link Up program and to comply with the terms of its two year advertisement and outreach plan for indentifying, qualifying, and enrolling eligible participants in the Lifeline and Link Up programs.

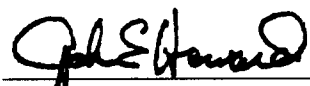
7. Should the Commission determine that High Tech has not honored its commitments and plans as set forth before the Commission, or has failed to follow the applicable statutes, rules or regulations, the Commission may deny High Tech's annual recertification as an ETC.

8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth B. Fleming, Chairman

ATTEST:


John E. Howard, Vice Chairman

(SEAL)